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China CITIC Bank London Branch

Audit and Risk Committee Terms of Reference



中信銀行
CHINA CITIC BANK

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LONDON BRANCH

Document History**Document Control**

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Version Control

Version	Author	Approval	Date	Key Changes
1.0	Branch Preparatory Team	ManCo	24/10/18	Formal approval of the draft version submitted to the PRA on 29 June 2018; no change was made.
1.1	Rhod Sutton		25/10/19	Amendment to quorum. House-keeping and maintaining consistency with RBP and relevant approved policies.

Contents

1	Introduction	5
2	Objectives.....	5
3	Ownership	5
4	Authority	5
5	Risk of Non-Compliance.....	6
6	Roles and Responsibilities	6
6.1	Key responsibilities of the ARCo:	6
6.2	Key responsibilities for ARCo members	7
7	Committee Composition; Committee Secretary; Others	8
8	Meetings Frequency	9
9	Quorum	9
10	Decision-Making	9
11	Meeting Minutes	9
12	Conflicts of Interest.....	10

Glossary of Terms

ALCo	Assets and Liability Committee
AML	Anti-Money Laundering
ARCo	Audit and Risk Committee
CCO	Chief Compliance Officer
CNCB	China CITIC Bank
CNCBLB	China CITIC Bank London Branch
CRO	Chief Risk Officer
FCA	Financial Conduct Authority
HO	Head Office
KPIs	Key Performance Indicator
KRIs	Key Risk Indicator
ManCo	Management Committee
MI	Management Information
MLRO	Money Laundering Reporting Officer
PRA	Prudential Regulation Authority
RMF	Risk Management Framework
the Bank	China CITIC Bank
the Branch	China CITIC Bank London Branch
The regulators	The Prudential Regulation Authority (“PRA”) and the Financial Conduct Authority (“FCA”)
VP	Vice President

1 Introduction

This document sets out the Terms of Reference (“ToR”) for the Audit and Risk Committee (“ARCo”, or the “Committee”) for China CITIC Bank London Branch (“CNCBLB” and / or “the Branch”).

2 Objectives

The objectives of this document are to:

- Define the authority of the ARCo;
- Outline the roles and responsibilities of the ARCo and its members; and
- Outline the structure and governance in respect of the operation of the ARCo.

All members of the Committee are required to familiarise themselves with this document and make reference to it as a comprehensive guide to the Committee’s function and authority.

3 Ownership

The ‘chain’ of ownership for the ToR is set out below:

Document Owner	The Chief Compliance Officer (“CCO”) is responsible for the maintenance of the ToR and for reviewing adequacy on an annual basis or more frequently as required.
Challenge and Approval	The Management Committee (“ManCo”) is responsible for the review and challenge of the ToR before approving it for implementation by the ARCo. The ToR must be reviewed and reapproved at least annually or more frequently as required.
Applicability	All members of this Committee must perform their role in accordance with regulatory expectations and the specific provisions set out in the ToR.

4 Authority

The ARCo derives its delegated authority from ManCo and is constituted as a sub-committee of the ManCo specifically to support ManCo to discharge its responsibilities.

5 Risk of Non-Compliance

There are several commercial and internal risks that may arise from failure to adhere to the ARCo ToR. These risks centre on decision making and the management of inherent and residual risks considered by the Committee.

Failure to adhere to the ToR could also lead to business opportunities being lost due to an unnecessarily long decision-making process through the Branch, or to inappropriate levels or types of risks being accepted by the Branch through insufficient consideration / inadequate risk management / governance arrangements.

Ultimately the Branch must be able to demonstrate adherence to applicable Rules and Regulations in the UK in respect of corporate governance. Adherence to the requirements in the ToR are mandatory both for all members of ARCo as well as any other person affected directly or indirectly through interaction with the Branch's governance framework of which the ToR is a component part.

6 Roles and Responsibilities

ARCo is responsible for the Branch's risk management including compliance risk and oversight in respect of Internal Audit as provided by a third party outsource provider.

Any issues identified by ARCo or matters requiring decisions to be made outside the authority of the ToR will be escalated to the ManCo (in the first instance) and to the Head Office ("HO") through the ManCo as appropriate.

6.1 Key responsibilities of the ARCo:

- a. Assess the Branch's risk profile including the compliance risk profile on a periodic basis;
- b. Challenge the completeness of the Risk Matrix and the relative risk scores attributed to individual risks;
- c. Assess the adequacy of the risk management framework and compliance framework relative to the activities undertaken by the Branch and the requirements and expectations of the Regulators;
- d. Review that the risk management and compliance policies and procedures are properly implemented, maintained and fit for purpose and report any findings to the ManCo as required;

- e. Review proposed changes to the Risk Management Framework (RMF), Risk Appetite Statement (RAS) and the supporting policies before submitting to the ManCo for final approval;
- f. Assess the impacts of any breaches to RAS or risk management related policies and oversee remedial action is taken;
- g. Review the Compliance Monitoring Programme to ensure its completeness and the effectiveness of its implementation;
- h. Review Branch risk and compliance MI including Conduct Risk and TCF periodically and agree on remedial actions.
- i. Review and approve scope of annual Internal Audit Plan;
- j. Review and challenge the adequacy of the Internal Audit Methodology to be deployed by the third-party outsource provider on behalf of CNCBLB;
- k. Review and monitor the remedial action taken following completion of individual Internal Audits;
- l. Review the Outsourcing Policy and outsourcing arrangements, act as the escalation point for outsourcing issues;
- m. Review new products proposed, oversee the related approval process and oversee the Post Launch Review in line with the New Products Approval Policy; and
- n. Report to the HO Risk Committee and Audit & Related Party Transaction Control Committee to support HO oversight activities.

6.2 Key responsibilities for ARCo members

All matters considered by the Committee must be discussed and challenged openly and constructively on the basis of active and informed participation by the Committee's members.

The Chairman will conclude and confirm the outcomes or decisions in respect of each item considered by the Committee.

Notwithstanding the collective responsibility of the ARCo, individual members particularly those also performing a Senior Management Function ("SMF") under the Senior Management and Certification Regime ("SMCR") may be allocated specific additional prescribed responsibilities, as detailed in the Branch's Management Responsibilities Map ("MRM") and the individual Senior Manager's Statement of Responsibilities.

SMFs are personally accountable for the effective performance of any allocated prescribed responsibilities in the first instance and are required to act in accordance with the Conduct Rules, as set out in the FCA Handbook (“COCON”).

7 Committee Composition; Committee Secretary; Others

Membership of the Committee is composed of:

- CCO (Chair) – (Risk and Audit);
- President (Acting Chair) – Risk and Audit);
- VP – (Risk and Audit);
- CRO – (Risk and Audit);
- Head of Finance and Accounting - (Risk and Audit);

All members of the Committee have the right to vote. If the Committee Chairman is unable to attend the President will assume the role of Acting Chairman.

In addition, the following positions will be permanent invites for participation in review and consideration of risk or audit matters, only:

- Head of Operations – (Risk);
- Head of IT – (Risk);
- Head of Business Development – (Risk);
- Head of Financial Markets – (Risk), and
- Internal Audit – (Audit).

Consequently, those only required for Risk will be required to leave once Audit specific matters are being discussed and vice-versa.

The ARCo can request the attendance of any member of staff regardless of seniority and employment status.

At the beginning of each financial year, a committee secretary (the “Committee Secretary”, or the “Secretary”) will be appointed by the Chairman. There is no limit to the number of periods an individual can serve as the Committee Secretary. The Secretary does not have the right to vote on matters considered by the Committee.

8 Meetings Frequency

The ARCo will meet, as a minimum, on a quarterly basis or more frequently as required. However, if necessary, any member of the Committee may call for an extraordinary meeting with the prior approval of the Chairman.

Ahead of each meeting, members of the Committee shall receive an information pack from the Committee Secretary containing the agenda and relevant papers to facilitate discussions no less than five working days before the meeting is due to take place. This is to allow sufficient time for committee members to review the documentation.

9 Quorum

A minimum of three committee members must be present including at least one of the Chairman or Acting Chairman for quorum to be achieved in respect of the risk elements of the committee meeting.

A minimum of three committee members must be present including at least one of the Chairman or Acting Chairman for quorum to be achieved in respect of the audit elements of the meeting.

Absence of the Chairman should be kept to an absolute minimum.

10 Decision-Making

A majority vote is required for all decisions, with the Chairman's decision being final should a split vote arise. In the case of meetings not attended by the Chairman the Acting Chairman will have the deciding vote.

11 Meeting Minutes

All meeting will be formally minuted by the Committee Secretary with minutes from the last meeting approved at the beginning of the next meeting. The minutes as a minimum must capture key discussions, actions agreed and any decision made including in respect of recommendations made to ManCo.

Furthermore, the minutes will capture the names of those in attendance and absent. In the Chairman's absence, the Acting Chairman will be identified in the meeting minutes.

Draft minutes will be submitted to the Chairman within three working days of the meeting taking place for his approval before circulated to the Committee's members.

As determined by the Committee's members, physical meetings may not always be held and decisions may alternatively be formulated and circulated by email. Relevant email chains must be retained and attached to the minutes as evidence of decisions made

12 Conflicts of Interest

Where a member or attendee's ability to act in accordance with the ToR is jeopardised by a conflict of interest, whether actual or perceived, that member or attendee must act in accordance with the Branch's Conflict of Interest Policy.

In the context of the business of this committee the existence of such conflicts must be declared at the start of any given meeting potentially affected, additionally the member is required to exclude themselves from any decision-making impacted by the conflict, whether actual or perceived.